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SECTION D
BUSINESS
TECHNOLOGY
Trading Highlights D6
Careers D12
BUSINESS EDITOR: DAVID YATES (514) 987-2512
WEDNESDAY, OCTOBER 4, 2000

HOW THEY CLOSED

TSE	10,456.32	+13.56
CDNX	3505.68	–54.03
DOW	10,719.74	+19.61
NASDAQ	3455.84	–113.06
GOLD (N.Y.)	$271.60	–$1.50
DOLLAR	66.48	+0.06
PRIME RATE	7.50	UNCH.

See World Markets on Page D6

Jitec trades under probe

DON MACDONALD
The Gazette

Stock-market regulators are examining trades in the stock of **Jitec Inc.**, a local high-tech company whose share price has swung wildly since it went public in July.

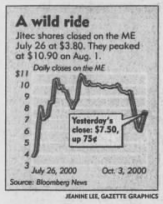
The Quebec Securities Commission and the Montreal Exchange have requested details of trades made in Jitec including client names from brokerage firms, sources said.

A letter to brokers dated Sept. 12 requested details of trades made between July 26 and Sept. 1.

"We have a situation before us and we're looking at it closely," QSC spokesman Claude Reid said. "In cases where there are important fluctuations in a stock price ... we co-operate with the exchange and give special attention to those situations. That goes for Jitec and for other companies. And it's in that vein that we ask for the co-operation of the brokers."

A wild ride

Jitec shares closed on the ME July 26 at $3.80. They peaked at $10.90 on Aug. 1.



JEANNE LEE, GAZETTE GRAPHICS

Jitec is a Nuns' Island developer of network-computer technology. Its network computers – stripped down PCs without such items as hard discs and CD-ROM drives – are replacements for more expensive conventional PCs.

Jitec terminals are connected to powerful servers at operating centres and users access software over the network of the server-based system in return for an installation charge and a $39.95 monthly fee.

Jitec stock, listed on the ME after a reverse takeover of a mining company, has been on a roller-coaster since it closed at $3.80 on its first day of trading, July 26. It hit a high of $10.90 on Aug. 1.

On Friday, the stock price fell to a recent low of $6, down 27.4 per cent from Monday's close of $9.45. Volume, which averages about 252,000 shares, hit an all-time high on Thursday of 1.1 million shares. The stock recovered to $7.50 yesterday, up 75 cents on the day.

On Thursday, Jitec put out a press statement, saying it isn't aware of any corporate developments that would explain the stock's sudden skid.

ME spokesman Andrew Molson wouldn't say whether trading in Jitec is under review. But Molson did say the ME watches trading closely whenever there are large fluctuations in volume or price.

Benoit Laliberté, president and chief executive officer of Jitec, blamed his company's volatile share price on short-sellers who are betting against the stock. Short-sellers borrow stock and then sell it into the market with the hope of buying it back, or covering, at a lower price and profiting when they replace what they have borrowed.

COMPLAINED ABOUT SHORTING

Laliberté said he recently complained to the ME about speculators short-selling Jitec stock on a downtick, which is illegal under securities law. "That's what the ME is investigating right now," he said.

Laliberté added that he has been put under "enormous pressure" from speculators who want him to sell them one million shares at reduced prices for the purpose of covering short positions.

He also said he is aware of a separate QSC request for trading records from brokerage firms "for informational purposes" to verify whether or not there has been illegal insider trading in Jitec stock.

But he denied that he or any other insiders of Jitec have participated in illegal insider trading.

"It just to obtain information. Just to see if they should go further to see if there was insider trading," Laliberté, who said he's hasn't sold any of his 40 million shares, said. "There is no investigation because we have nothing to reproach ourselves for."

In the weeks after it began trading, Jitec stock raced to an early high of $10.50 the day after its Aug. 8 announcement that it had concluded an agreement with **Canada Payphone Corp.** of Burnaby, B.C., "for the implementation of 45,000 terminals of Jitec's Business Computing Advantage service."

Please see **JITEC,** *Page D2*

Deeper pockets

Small biotech players told they'll need help from the big pharmaceuticals

SHEILA McGOVERN
The Gazette

A bright idea is no match for a bulging bankbook.

Small biotechnology companies attending an industry conference in Montreal yesterday were told there is little chance they will be able to get their discoveries to market without the help of one of the big drug companies.

About 800 delegates attending the Crossroads conference held annually by the Biotechnology Research Centre heard from a number of different speakers who all returned to a common theme: The big drug companies are becoming bigger through mergers, competition is stiff, speed is of the essence and, as a result, the cost of developing drugs and getting them to market is rising.

Strategic alliances are not new to the biotechnology industry. Many smaller companies have joined forces with the big players. They surrender part of their profits in return for financial help during development and expertise in marketing. One of the most famous early examples was **BioChem Pharma,** which joined forces with **Glaxo Wellcome** to develop its blockbuster anti-AIDS drug, 3TC.

However, conference delegates were told the trend to alliances will continue and increase, even though it is now easier for biotechs to raise money on stock exchanges.

It takes about 10 years and $300 million to get a drug from a molecule to a government-approved drug, said Paul L'Archevêque, chief executive officer of **PharmaVision-Quebec,** and the company must still add the cost of marketing the drug.

The pressure to produce drugs more quickly is bound to intensify, he said. Until recently, the industry was predicting it would map the human genome by 2003, but in fact, the map was completed last summer. This will lead to a rush of revolutionary new drugs that attempt to alter a malfunctioning gene.

DIRECT MARKETING

"The complexity and costs are getting too high for this revolution to be undertaken alone," he said.

Tom McKillop, chief executive officer of **AstraZeneca,** said the cost of marketing drugs is also bound to rise. Right now, the U.S. is the only country that allows companies to market drugs directly to consumers through television commercials and magazine ads. However, the Internet is making information available to all consumers, he said, and governments are now rethinking their policies.

Marketing directly to consumers is very effective, he said, but it is also very expensive.

Fierce competition amongthe big companies is also necessitating greater speed and marketing, he said. At one time, a company could introduce a drug and not expect other companies to introduce a similar drug for five years, he said. "Now, if you're lucky, you've got five months."

Claude Vezeau, vice-president (investment) at **BioCapital,** said small biotechs won't be the only ones looking for strategic alliances; so will the big pharmaceutical companies.

The large companies are under pressure to maintain double-digit growth, he said, and replace the millions of dollars worth of drugs that are about to have their patents expire, leaving them open to generic competition. They won't be able to produce that degree of growth internally, he said.

Corel stock surges 60%

Burney confirmed in top post after cash infusion from Microsoft

BERT HILL
Ottawa Citizen

OTTAWA – **Corel Corp.** stock surged 60 per cent yesterday as investors celebrated a surprising $135-million (U.S.) cash injection by **Microsoft,** the industry giant that Corel used to love to hate.

The stock closed at $8.65 per share, up $3.30 and slightly ahead of the rich price that Microsoft is paying for a 25-per-cent stake of non-voting shares. Acting chief executive officer Derek Burney, who succeeded Corel founder Michael Cowpland in August, was rewarded by being confirmed in the job.

David Wright, an analyst with BMO Nesbitt Burns, raised his recommendation on Corel to "market perform" from underperform.

He said Microsoft investment will allow Corel to promote new products like CorelDraw 10 with more resources for advertising and marketing.

Jean Orr, a U.S. analyst who follows Corel, also raised her recommendation to "short-term outperform" and set a short-term price target of $8 U.S. per share.

But questions remain about what Microsoft got for its cash beyond Corel's support for a new .Net program for Internet product developers that the software giant will launch next year.

Burney hinted that an ambiguous promise to settle legal issues between the two companies means that Corel gave up any claim to damages in the U.S. government's anti-trust action against Microsoft.

But the U.S. case will take years to settle and it is a long shot whether cash-starved Corel would have ever benefited.

The big reason appears to be protecting Microsoft from charges of monopoly. By propping up Corel as it did with another vanquished rival, **Apple Computer,** Microsoft can show that it still has some competition.

"They didn't want Apple to go away as a major competitor and they probably don't want Corel to go away right away, especially when things are on appeal," said Rob Enderle, an analyst with the Giga Information Group.

If Corel eventually succumbs to lost battles with Microsoft, the software giant might also have a claim on Corel intellectual-property assets like Corel Draw.

An investment in Corel also gives Microsoft access to Linux, the alternative operating system that could yet challenge Microsoft's desktop computer hegemony.

The Canadian Information Processing Society is worried that Linux development will dwindle at Corel. "What we'd like is to see is Corel and Microsoft issue a statement confirming the ongoing support and commitment to Linux," the society said.

BRUNO SCHLUMBERGER, OTTAWA CITIZEN

On the heels of a major alliance with Microsoft, Derek Burney was named president and chief executive of Corel.

Ushering in new era, image

JULIE OLIVER, OTTAWA CITIZEN

Marlen Cowpland poses with her husband, Michael, at the April 1999 Corel Gala in Ottawa.

KELLY CRYDERMAN
Ottawa Citizen

OTTAWA – **Corel Corp.** has its mojo back.

That was the word from Corel president and CEO Derek Burney yesterday as his employees finished up orange juice and champagne at a well-timed morning party.

The media had just been in a room next door for a press conference to announce that Burney's temporary appointment as chief executive will become permanent.

Burney was trying very hard to get a celebratory message out – Corel has a new, fresh vibe that will allow it to become a profitable company again.

"Today you can feel the energy in the building. We're back," Burney told reporters.

Albeit, Corel's new mojo may be a little less swinging than it was under former Corel chief executive Michael Cowpland, who resigned from the continuously flailing company in August.

In perhaps a sign of things to come, Corel has canceled its pricey annual gala that had become a chance for Marlen, Cowpland's wife, to sport revealing, attention-getting outfits. At the 1999 Corel Gala, she wore a million-dollar leather catsuit, featuring a 24-karat gold breastshield adorned with a 15-karat diamond nipple ornament. Corel spokesmen Anne Vis said cancelling the gala, which had cost up to $3 million in years past, is "part of our cost-restructuring program and our more disciplined financial approach."

In contrast to Cowpland's style, the new Corel will have a more sober management style, said Paul Bodnoff, who was director of investor relations at Corel when he left in 1993 and is now a partner with **Reid Eddison Inc.,** an Ottawa-based consulting firm that mentors technology companies.

"It became a very large, expensive event," he said of the gala. And Corel now has the pragmatic Burney in charge of the company instead of the risk-taking Cowpland.

Please see **MOJO,** *Page D2*

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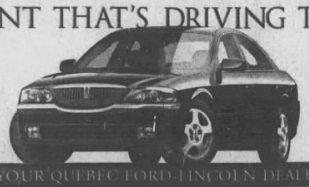
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